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May 3, 2005

MEMORANDUM

TO: Council Members

FROM: Lynn Palensky, Peter Paquet and John Ogan

SUBJECT: Partnership Funding Opportunities

ACTION REQUESTED: That the Council direct staff to continue to develop the concept of a partnership funding strategy within the Council to implement subbasin plans.

The Council has asked staff to explore the issue of "cost sharing" in the implementation of its adopted program. In taking up that topic in this presentation, we seek to accomplish three things:

- 1) We want to confirm that the Council's primary objective is to *fund and implement the recently adopted subbasin plans to get the fish and wildlife population responses they envision*. We want to confirm this so that our discussions about various cost-sharing options are constantly measured against that primary objective.
- 2) With the objective of implementing the plans as the foundation, we will compare two very different cost-share approaches -- required/prescriptive v. partnerships. We will compare how each approach may or may not help accomplish our primary objective of implementing subbasin plans.
- 3) We will outline what we see as the opportunities available to pursue and foster partnerships to implement subbasin plans; and provide information on the amount and intensity of partnership funding that already occurs in the Columbia River Basin. The underlying theme throughout this memo keeps an eye toward the primary objective -- *implementing subbasin plans*.

Background

The Council has started several discussions recently on the topic of cost sharing. No specific proposal has been presented. Rather, we understand that there is a general desire to investigate broader involvement in funding fish and wildlife program activities. Suggestions have been offered that there be a required cost-share to access Bonneville funding, or that cost-share might be considered as the Council reviews project proposals during the project selection process.

Quite frankly, we think the former-- a required cost-share-- is not consistent with the Act, and the latter-- consider cost-share as we evaluate competing project proposals-- is something we already do. Still, knowing that this is an important topic, we will discuss these types of cost-share approaches, but go beyond them, and present another alternative -- partnership building. The partnership building comes at the issue with a different philosophy, and even though our program has a history of successes with this approach we believe it has not been systematically and broadly worked by the Council or anyone else in the region. We believe that partnership building concept comes at the issue of cost-share with a much more positive, creative and flexible philosophy, and is an approach that holds much more promise than the other cost-share types mentioned.

Confirm the Primary Objective -- Implement and Fund Subbasin Plans to Achieve Fish and Wildlife Gains

We suggest that we step back a moment from the issue of “cost-sharing” options, and confirm or redefine what our larger, primary objective is now that that subbasin plans are adopted. After having that primary objective fixed, we can better evaluate cost-share strategies.

The region has just completed a massive grass-roots natural resources planning effort to develop subbasin plans in the U.S. portion of the Columbia River. Citizen participation in and awareness of the Council’s program across the basin is at an unprecedented high. New and broader constituencies have been developed, but they may be ephemeral if the expectations and energy produced in the planning effort are not followed with a robust on-the-ground plan implementation effort -- on the ground action. The statutorily established funding source for implementation of the Program-- the Bonneville fund-- is currently limited, unlikely to be significantly expanded in the near future, and burdened with legal, institutional, and “cultural” obstacles, both real and perceived.

The promise of subbasin planning was not the *plans*. The plans only position us to move to the real on-the-ground *actions*. The promise was action--defined, prioritized, and implemented in each subbasin by an expanded group of local participants. Our primary objective now, simply put, is to ***implement subbasin plans***. **Any cost-share approach must be evaluated against that primary objective.**

Different “Cost-Share” Approaches: Prescriptive v. Partnerships

“Cost sharing” is not a real objective. Implementing subbasin plans to get the fish and wildlife gains is the objective. The question for us is whether or not some type of cost share strategy would help us meet that objective. To get ready to look at different approaches, we should remind ourselves of what subbasin plans represent. The subbasin plans:

- Were developed by broadly representative local interests;
- Were subject to rigorous political, scientific, and legal processes;
- Sought to create or strengthen local groups and interests and empower them in planning and implementation;
- Guide BPA investments to secure maximum benefit;
- Were designed as plans to be used to secure and put to work other funds.

Two models for increasing resources for implementation have been discussed and investigated by staff: Cost-sharing (as a requirement for BPA funding), and building funding partnerships

(pooling resources and increasing project support). The table below compares the two models and is followed by further discussion.

Cost-Sharing -- An Overview on two general approaches:	
<p>Regulatory/Prescriptive (two forms of this).</p> <p>1. “Active” --Sponsor must bring funds to the table as a condition of access to the primary fund. (Common in many grant programs)</p> <ul style="list-style-type: none"> • Required shared investment forces the sponsor to carefully consider the merits of the proposed plan; • Forces the sponsor and others interested or affected to “buy in” to implementation; • Can limit participation of potential sponsor/implementers; • Makes a primary or dedicated fund the focus, and tries to stretch it; • Rigid rules and guidelines are needed to ensure equitable application. <p>This first model can be valuable in situations where the plans or projects may not be well tested or reviewed. Forcing a shared investment is a way to ensure that untested plans/objectives are in fact sound. Similarly this approach is valuable to ensure that others are willing to “buy into” and support activities that may be controversial. The primary fund is stretched by the regulatory percentage cost-share requirement. With this approach, a set of fixed rules, definitions, and standards are needed to ensure that the “cost share” proposed is of the type and kind needed to meet the threshold participation standard.</p> <p>2. “Passive” - Not an eligibility requirement, but used as an evaluation element.</p> <p>The bullets above continue to apply to this approach. The difference is that sponsors would not be required to demonstrate a match, but if they did, it would be viewed more favorably than those without it in the funding competition.</p> <p>This approach requires even more in the way of set rules, definitions, and evaluation standards than the first. If cost sharing is a standardized consideration in a competitive process, it must be weighted against the other requirements and considerations of project review (sound science/ISRP review, relatedness to program, species addressed, local support, initial and out-year costs, etc). Further, cost sharing must be defined as to form and level. Unless all forms of cost-share are treated equally, there must be definitions and rules established to apply the weighted consideration (e.g. cash vs. in-kind; scale of match percentage; confirmed vs. anticipated match, etc.).</p>	<p>Partnership building</p> <p>Pooling of support and resources to implement a project or program. Matching resources is not a prerequisite for the primary fund source.</p> <p>In a <i>partnership funding approach</i>, the plan or project objectives have been carefully considered and are broadly supported. Cost-share as a “participation requirement” or even as an evaluation standard is discarded altogether.</p> <ul style="list-style-type: none"> • Arrays all available resources to implement a plan or objective that is sound and broadly supported; • Uses a primary or dedicated fund as an incubator to draw in other funds.; • Applies at a variety of scales; from project to subbasin, state, or program; • Flexible and agile to encourage many types of participation. <p>This type of cost-sharing model has a very different philosophical basis than the first. With a supported and sound plan, the real objective is to move forward with implementation and building as many partnerships as possible, and in whatever forms that will advance the objectives. With regard to the fund, the philosophy is not to “stretch” the primary fund, but rather, to use it as seed funding to secure and grow <i>outside sources</i> to bring to bear on the plan/objectives.</p>

The staff strongly supports the “partnership building” model as a means to help the Council meet their objective of implementing subbasin plans. The subbasin plans have undergone policy, legal, and scientific reviews, and community support is high. We suggest that the current discussion about “cost-sharing” within the program be shifted or expanded to a discussion more consistent with the overall goal of implementing subbasin plans -- that is, advance our thinking to a partnership building action plan, using the BPA fund and the subbasin plans as the tools to identify and secure funding partnerships from public and private sources wherever they may be found.

The Council asked for and adopted subbasin plans for its program to organize and better ground in science those activities that may be undertaken in the tributaries to protect, mitigate and enhance fish, wildlife, and habitat impacted by hydro-facility development. The partnership-building concept discussed below is a strategy aimed at aggressively responding to the Act’s mandate to protect, mitigate and enhance for hydro impacts, while coordinating with as broad a range as possible with other fish, wildlife, and habitat programs. The combination of Bonneville funds with other resources that can be dedicated to tributary habitat activities will produce synergies, economies of scale, and allow for a more robust work package in the tributaries. The end result, we believe, will be a more expeditious and full treatment of the factors identified in subbasin plans that limit the potential of species affected by hydro development in the basin, helping us reach the basinwide objectives for biological performance in the 2000 Program.

In the following material, you will see that the partnership-building concept is not new in the region or within the Council, has never been tackled in a focused way. Many entities working through the fish and wildlife program already increase their implementation options and capacity by partnership building outside of the BPA fund/process. These successes are a model for a more directed and systematic effort to build partnerships to augment the resources we have to implement the subbasin plans. ***A more dedicated effort to locating potential funding partners, building the capacity in the subbasins to take advantage of more opportunities, and trying to work towards a streamlining of requirements across funding programs is an area that appears ripe for Council action.***

Partnership Building -- A Program and Suite of Services We Want to Explore

Both cost sharing and building funding partnerships occur widely across the basin for implementing on-the-ground projects. However, these efforts are often ad hoc and on a site-specific basis at a local or project scale as opportunities or resources present themselves, and if and when implementers have the time and resources to pursue these opportunities. There is no regional entity that has taken a focused effort to *create* those opportunities; to strengthen existing partnerships or, to streamline the various processes. The Council and staff have also informally and in an ad hoc manner facilitated partnerships for many years, but it has never systematically emphasized this work or formally dedicated staff or resources devoted to a focused effort

The goal of this type of approach is to expand the region’s capacity to implement subbasin plans by securing resources; principally funding, from public and private sources nationwide. Combining additional resources with those dedicated by Bonneville allows for a more full and aggressive suite of habitat work that should allow us to realize gains in fish and wildlife impacted by the hydrosystem more quickly and with more certainty. The Council’s effort should focus on services that our discussions and experiences demonstrate are critical to successful partnerships:

- Relationships between implementers and funding programs must be established, developed, and maintained.
- Awareness of funding programs and opportunities, and expertise in the means of accessing them must be developed.
- Administrative, legal, and facilitative resources at both the funding and implementing end are often limited, and needs some measure of support.
- In some cases, a mechanism to hold funds, and then distribute them at appropriate times is needed. Accountability, equitability and assurances that objectives at both the funding implementation end are critical.
- Funding programs need to be cultivated and expanded. Program authorizations should be reviewed and adjusted to streamline and consolidate various application, administrative, and reporting requirements. Said another way, there is always the need to work to reduce red tape and paperwork burden.

Again, the idea is to develop a Council initiative that integrates with, supports, and focuses on core Council responsibilities and a NW Power Act purpose -- that is to support the implementation of the adopted fish and wildlife program, using the Bonneville funded off-site mitigation as a window to a wider world of funding sources. If we are creative and seek to have a flexible or adaptable range of services, we believe that we can expand on cooperative funding arrangements to get a broad swath of work implemented, and build up the capacity of those in the subbasins to be able to knit together funds with Bonneville's to this end. The proposed effort is properly seen as an outgrowth of core Council work and Power Act goals, wherein we link off-site-mitigation for-hydro impacts effects into a more efficient and effective implementation arrangement in the subbasins.

Partnership and Cost-Sharing Is Well Entrenched Already -- Some Examples

Cost sharing: Depending on how it is defined, “cost-sharing” can range from a non-required partnership match of cash or in-kind services to required contributions of the same through solicitation and evaluation of a project. While the Fish and Wildlife Program does not require cost share as a threshold for funding, there has been a tremendous amount of cost sharing or pooling of funds on Bonneville-funded projects under the Program. It is difficult to characterize the scope of the program because it has not been systematically tracked or documented in a way to make simple representations about the types of cost-share activities.

It should also be noted that in the last provincial review process the project application forms asked applicants to list cost-share sources which gives us some general information about what those sources are and how much they contributed to the focus or primary fund source (BPA). As they prioritized the work that would be recommended for funding, the province groups, and then the Council, took into consideration a proposal's cost-share. This was done as a general consideration, and not subject to a formula or rating system. When considered generally this way, the proposal's non-Bonneville contribution can be considered along with its other attributes, such as level of support from the ISRP, depth of support from the local prioritization group, relatedness to the adopted program, species addressed, overall cost of the project, out-year funding requirements, etc. Forcing consideration of a non-Bonneville funding share into a formula or mechanical rating system reduces the ability to consider all of these other scientific and policy considerations as a package. It is also noteworthy that even before the last provincial review

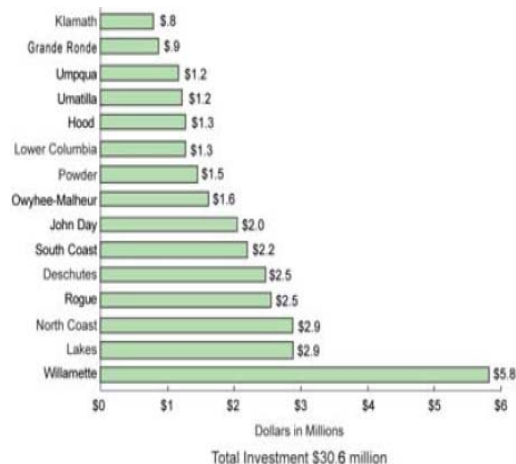
process, non-Bonneville contribution was a factor considered in selecting wildlife projects for funding.

Amy Langston at CBFWA provided information on anticipated cost-shares (at the time of application) for BPA-funded projects. In a cursory review, the numbers are very high for match -- \$110 million relative to \$140 million that BPA spent; that shows 79% cost sharing on Bonneville funds. Of the 214 funded projects, 147 (69%) of them documented cost-share of some type, and many of the unfunded projects did as well. The sources run the gamut of organizations types and categories of cost sharing, but the bottom line is there is a lot of it going all over the basin. While we would have to look at this information more carefully, one initial thought is that a more formal and rigorous set of rules, definitions, and standards to implement one of the required cost-share models may actually invalidate some of the existing cost-share arrangements in place.

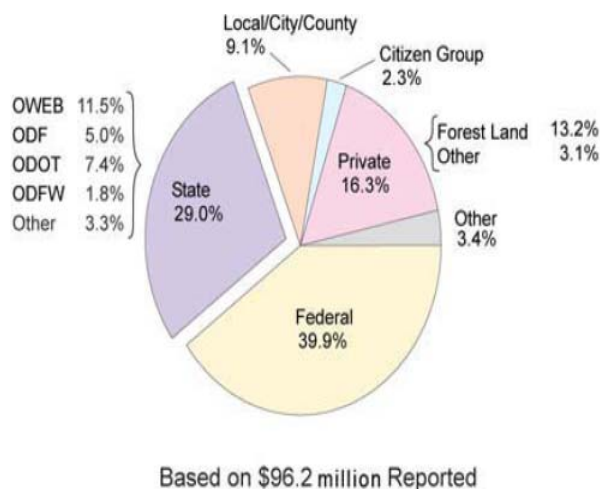
Attachment 1 shows examples of three Bonneville-funded projects with anticipated cost-share at the time of project application from the last provincial review. Cost share values of the three examples range in these examples from 3% to 100%.

Other funding sources: As an example of other funds that are spent in the basin on fish and wildlife recovery/restoration/protection activities in the Columbia Basin, we looked at some other sources. In Oregon and Washington, over \$19 million gets spent on restoration type activities each year through OWEB and SRFB in the Columbia River subbasins. The bar chart below shows the state expenditures by basin in Oregon. The pie chart shows the total amount of funding from various sources for restoration actions in Oregon for two years (BPA funds are included in the “federal” section).

Distribution by Basin
OWEB Grant Funds 2003-2004



Sources of Funding for
Complete and Reported
Restoration: 2002 -2003



An example of a specific Oregon subbasin's success in securing funding from other funding sources was shared recently during a tour of the John Day subbasin. The table below shows Grant County Soil and Water Conservation District's grant funding during 2003-2004 for restoration work:

Funding Source	Amount
OR Watershed Enhancement Board	\$382,887
US Forest Service - 2003 Title II	\$159,942
US Forest Service - 2004 Title II	\$373,015
US Forest Service - Wild Fire Grant	\$21,796
OR Dept. of Fish and Wildlife	323, 459
OR Dept. of Agriculture	\$64,000
NRCS	\$40,000
Bureau of Reclamation	\$76,740
BPA through CTUIR	\$470,502
USFWS	\$93, 537
TOTAL	\$2,005,878

Other funds that are spent in the Basin on fish and wildlife recovery/restoration/protection include but are not limited to:

NOAA	<u>NOAA Direct funds</u> - nationwide; \$50-\$150/project; anadromous fish <u>NOAA Community-based Restoration and Partnerships grants</u> Three-year funding for \$200-\$600k/year. 1:1 non-federal match.
Salmon Recovery Funding Board	Fifth Grant Round = \$8 million;
OR Watershed Enhancement Board	Approx. \$11 million (funded, either through PCSRF or State Lottery money).
OR Dept of Transportation	Identified as contributors to project funding for several Oregon subbasin plans. In '05-06, ODOT will spend approx. \$3.5 million for various passage improvements in the basin.
Pacific Coastal Salmon Recovery Fund	\$11 million in FY 2004

Conclusion

We understand the Council's primary objective to be aggressive and effective implementation of the subbasin plans adopted into the Fish and Wildlife Program. Those plans lay out local priorities, objectives, and envision the anticipated fish, wildlife habitat gains. There are several ways to approach the idea of pooling resources together to stretch the restoration dollar, and more surely and expeditiously meet the Act's requirement to address hydro impacts and the 2000 Program's biological objectives. We believe that the prescribed or required cost share or a "pay-to-participate" approach for the Council's program is fraught with legal and implementation problems. The staff would like to propose a focused effort to expand existing efforts as well as investigate new opportunities to build implementation partnerships in the basin. Many entities working through the fish and wildlife program already increase their implementation options and capacity by partnership building outside of the BPA fund/process. These successes are a model for a more directed and systematic effort to augment the resources we have to implement the

subbasin plans. A more dedicated effort to locating potential funding partners, with or without the need for a connection to the Bonneville fund, is an area that appears ripe for Council action.

Examples of multiple funding sources for BPA-funded projects
(source: CBFWA project data base)

Project #198402500 - Swanson Lakes Wildlife Area

BPA Funding = \$510,000;

Cost Share = \$14,000; (3% in-kind match)

ORGANIZATION	ITEM OR SERVICE PROVIDED	AMOUNT	CASH OR IN-KIND
WDFW	Assistance with wildlife and vegetation surveys and habitat enhancement planning (non project wildlife biologists, vehicles).	\$ 10,000	in-kind
WDFW	Washington Conservation Corps crew assists with fence maintenance etc.	\$ 4,000	in-kind

Project #200102000 - Fifteenmile Creek Riparian Fencing / Physical stream Survey Project

BPA Funding = \$415,000;

Cost Share = \$49,500; (12% match)

ORGANIZATION	ITEM OR SERVICE PROVIDED	AMOUNT	CASH OR IN-KIND
BPA project 198805304	Share office space, office expenses, tools, and machine shop.	\$ 17,000	cash
BPA project 199304001	Share office space, office expenses, tools, and machine shop.	\$ 3,500	cash
BPA project 199304000	Share office space, office expenses, tools, and machine shop.	\$ 17,000	cash
NMFS Fish Screening & Passage Project	Share office space, office expenses, tools, and machine shop.	\$ 12,000	cash
Local Landowners	Assess to private lands for the purpose of constructing riparian protection fence and conducting physical stream survey.	\$ 0	in-kind
Fifteenmile Creek Watershed Council	Support.	\$ 0	in-kind

Project #198402500 - Grande Ronde Basin Fish Habitat Enhancement

BPA Funding = \$1.17 Million;

Cost Share = \$1.16 Million; (100% match)

ORGANIZATION	ITEM OR SERVICE PROVIDED	AMOUNT	CASH OR IN-KIND
CTUIR	Materials & labor for cooperative projects	\$168,105	cash
GRMWP	Implementation dollars for McCoy Meadows, Longley Meadows (Bear Cr)	\$204,316	cash
NRCS	CREP on Longley Meadows (Bear Cr), WRP McCoy Meadows, Ladd Creek WRP	\$223,175	cash
ODFW R&E	Fencing materials	\$ 20,000	cash
Oregon Dept Forestry	Road relocation/engineering, Rock Creek	\$ 2,960	cash
Oregon State Parks	Materials & labor on Rock Creek	\$ 18,135	cash
OWEB	Implementation dollars for Rock Creek, Ladd Cr.	\$218,325	cash
Private landowners	Equipment, materials, labor, lost grazing opportunity	\$121,935	in-kind
Ducks Unlimited	Engineering, design McCoy Meadows, Ladd Cr	\$ 72,600	cash
Misc. (USFWS, Union Co. ODEQ)	Bridge replacement, channel construction	\$117,000	cash